

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name LAKE ERIE TRANSPORTATION COMMISSION	County MONROE
Audit Date JUNE 30, 2005	Opinion Date AUGUST 4, 2005	Date Accountant Report Submitted to State: OCTOBER 12, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).	X		

Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.			
Street Address 121 NORTH MAIN STREET	City ADRIAN	State MI	ZIP 49221
Accountant Signature 			

LAKE ERIE TRANSPORTATION COMMISSION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

**WITH
INDEPENDENT AUDITORS' REPORT**

LAKE ERIE TRANSPORTATION COMMISSION

INDEPENDENT AUDITORS' REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

Our discussion and analysis of Lake Erie Transportation Commission's financial statements provides an overview of the Transportation Commission's financial activities for the fiscal year ended June 30, 2005. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets provide information about the activities of the Transportation Commission and present a long-term view of the Transportation Commission's finances. Also, the financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information.

- ◆ The first two statements are government-wide financial statements that provide both long-term and short-term information about the Transportation Commission's overall financial status. These statements report information about the Transportation Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenditures, and Changes in Fund Net Assets regardless of when cash is received or paid. The two government-wide statements report the Transportation Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities - this is one way to measure the Transportation Commission's financial health or position.
- ◆ The third statement is the Statement of Cash Flows which shows the change in cash and cash equivalents presenting all activity of the Transportation Commission on a cash basis.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by supplementary information that further explains and supports the information in the financial statements.

Reporting the Transportation Commission as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets report information about the Transportation Commission, as a whole, and about its activities in a way that helps answer the question of whether the Transportation Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Transportation Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are accounted for the Statement of Revenues, Expenditures, and Changes in Fund Net Assets regardless of when cash is received or paid.

The two statements, mentioned above, report the Transportation Commission's net assets and how they have changed. The reader can think of the Transportation Commission's net assets (the difference between assets and liabilities) as one way to measure the Transportation Commission's financial health or financial position. Over time, increases or decreases in the Transportation Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Transportation Commission, you need to consider additional factors such as changes in the general economy and changes in the laws related to Federal and State transportation funding.

Fund Financial Statements

The Transportation Commission has only one fund, the General Operating Fund, in which all of the Transportation Commission's activities are accounted. The General Operating Fund is a business-type fund, which accounts for activities on a full accrual basis.

Financial Analysis of the Transportation Commission as a Whole

The Transportation Commission's net assets increased 11.3% from \$1,740,334 to \$1,937,366 for the year ended June 30, 2005. The net assets and change in net assets are summarized below.

Net Assets

Net assets are divided between the three transit systems

Lake Erie Local Service System (LSS)
Monroe Essential Transportation System (ETS)
Bedford Local Service System

based on activity in each system. Also, a portion of net assets has been reserved for investment in capital assets (\$372,045); and a portion has been designated by the Commission for future capital improvements (\$1,000,000).

Net assets of each transit system must have a positive balance. If a deficit position occurs in one of the transit systems, the transfer is usually made from the LSS System to cover the deficit.

The net assets increased by \$197,032 during 2004-05. The primary reason for the increase was an increase in property tax revenue.

Net Assets (Continued)

The investment in capital assets increased by \$107,250.

Net assets for the years ended June 30, 2005 and 2004 follow:

	<u>2005</u>	<u>2004</u>
Current assets	\$ 1,881,322	\$ 1,907,358
Capital assets	<u>372,045</u>	<u>264,795</u>
Total assets	<u>2,253,367</u>	<u>2,172,153</u>
Long-term liabilities	228,801	220,507
Other liabilities	<u>87,200</u>	<u>211,312</u>
Total liabilities	<u>316,001</u>	<u>431,819</u>
Net assets:		
Invested in capital assets	372,045	264,795
Designated for future capital improvements	1,000,000	1,000,000
Transit system balances	<u>565,321</u>	<u>475,539</u>
Total net assets	<u>\$ 1,937,366</u>	<u>\$ 1,740,334</u>

Changes in Net Assets

A summary of changes in net assets for the years ended June 30, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Revenues		
Operating revenue	\$ 284,408	\$ 270,823
Nonoperating revenue – local	1,196,097	968,805
Grants	<u>1,828,580</u>	<u>1,604,941</u>
Total revenues	3,309,085	2,844,569
Operating expenditures	<u>(3,112,053)</u>	<u>(3,042,420)</u>
Increase (decrease) in net assets	<u>\$ 197,032</u>	<u>\$ (197,851)</u>

Total revenues were \$3,309,085, an increase of \$464,516 as compared to last year. The change in revenues resulted primarily from increases in property taxes of \$195,914 and Federal and State grants of \$223,639. Total expenditures were \$3,112,053, an increase of \$69,633 as compared to prior year.

Budgetary Highlights

General Fund Budgetary Highlights

The budget for fiscal year 2005 was \$3,159,000; actual expenses were \$3,112,053, a difference of \$46,947. A summary of items over budget follows:

- ◆ Fringe benefits were over budget by \$11,822 or less than 2%, due to health insurance increases.
- ◆ Fuel was over budget by \$29,811 or 20%; fuel was budgeted at \$1.15 per gallon and was \$1.80 per gallon at the end of the fiscal year.
- ◆ Professional services were over budget by \$36,466 or 16%; this was due mainly to items that were not in the budget, bus line inspections, emergency electrical upgrades to the Seventh Street location, and outside financial services.
- ◆ Utilities were over budget by \$7,833 or 26%.

It should be reiterated that overall expenses were \$46,947 or 1.5% under budget.

Capital Assets

Capital Assets

As of June 30, 2005, the Transportation Commission had invested \$372,045 in capital assets. This amount represents a net increase of \$107,250.

	<u>2005</u>	<u>2004</u>	<u>Total Percentage Change</u>
Capital Assets Being Depreciated			
Buildings	\$ 229,035	\$ 177,323	29%
Vehicles	<u>256,260</u>	<u>166,006</u>	54%
Total capital assets	485,295	343,329	
Total accumulated depreciation	<u>(113,250)</u>	<u>(78,534)</u>	
Total net capital assets	<u>\$ 372,045</u>	<u>\$ 264,795</u>	

The investment in capital assets for fiscal year 2004-05 was the Transportation Commission's share of additional cost in the new transfer station (\$51,712) and the Commission's share in three new buses (\$90,254).

Economic Factors and Next Year's Budget

Economic factors and the 2005-2006 fiscal year budget:

- ◆ Stagnant revenues and increasing fuel cost remain a concern.
- ◆ Construction of a new bus parking garage and expansion of the maintenance facility most likely will begin near the end of fiscal year 2005-2006 or early part of fiscal year 2006-2007.
- ◆ LETC is near the maximum of the .5 mill levy in the City of Monroe and Frenchtown Township. April of 2008 is the next planned millage request.

Contacting the Commission's Financial Management

This financial report is designed to provide the citizens and other interested parties a general overview of the Transportation Commission's finances and to show the Transportation Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Lake Erie Transportation Commission, 1105 West Seventh Street, Monroe, Michigan 48161.

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of Lake Erie Transportation Commission, as of and for the years ended June 30, 2005 and 2004, which comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Erie Transportation Commission's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Lake Erie Transportation Commission, as of June 30, 2005 and 2004, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2005 on our consideration of Lake Erie Transportation Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

The management's discussion and analysis on pages i through v is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise Lake Erie Transportation Commission's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Lake Erie Transportation Commission. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is also not a required part of the basic financial statements of Lake Erie Transportation Commission. Such information has been subjected to the procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
August 4, 2005

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the business-type activities of Lake Erie Transportation Commission, as of and for the year ended June 30, 2005, which comprise Lake Erie Transportation Commission's basic financial statements and have issued our report thereon dated August 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Lake Erie Transportation Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Lake Erie Transportation Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
August 4, 2005

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

COMPLIANCE

We have audited the compliance of Lake Erie Transportation Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Lake Erie Transportation Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake Erie Transportation Commission's management. Our responsibility is to express an opinion on Lake Erie Transportation Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake Erie Transportation Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lake Erie Transportation Commission's compliance with those requirements.

In our opinion, Lake Erie Transportation Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

INTERNAL CONTROL OVER COMPLIANCE

The management of Lake Erie Transportation Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lake Erie Transportation Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

August 4, 2005
Adrian, Michigan

LAKE ERIE TRANSPORTATION COMMISSION

STATEMENTS OF NET ASSETS

June 30, 2005 and 2004

	<u>Business-Type Activity</u>	
	<u>General Operating</u>	
ASSETS	<u>2005</u>	<u>2004</u>
Current assets:		
Cash	\$ 547,678	\$ 178,304
Investments	897,331	1,271,959
Due from SMART	301,835	313,225
Accounts receivable – other	41,818	25,956
Prepaid insurance	30,221	54,602
Inventory	<u>62,439</u>	<u>63,312</u>
Total current assets	<u>1,881,322</u>	<u>1,907,358</u>
Capital assets:		
Vehicles	256,260	166,006
Building	229,035	177,323
Accumulated depreciation	<u>(113,250)</u>	<u>(78,534)</u>
Capital assets – net	<u>372,045</u>	<u>264,795</u>
Total assets	<u>\$ 2,253,367</u>	<u>\$ 2,172,153</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 10,454	\$ 75,038
Due to Smart	44,503	34,873
Accrued payroll and related taxes	20,131	89,642
Deferred revenue	<u>12,112</u>	<u>11,759</u>
Total current liabilities	<u>87,200</u>	<u>211,312</u>
Long term liabilities:		
Advance from SMART (Note 2)	150,000	150,000
Accrued sick pay	27,323	25,459
Accrued vacation	<u>51,478</u>	<u>45,048</u>
Total long term liabilities	<u>228,801</u>	<u>220,507</u>
Total liabilities	<u>316,001</u>	<u>431,819</u>
Net assets:		
Invested in capital assets	372,045	264,795
Designated for future capital improvements	1,000,000	1,000,000
Lake Erie Local Service System (LSS)	498,321	473,104
Monroe Essential Transportation Services (ETS)	58,835	-
Bedford Local Service System	<u>8,165</u>	<u>2,435</u>
Total net assets	<u>\$ 1,937,366</u>	<u>\$ 1,740,334</u>

The notes to the financial statements are an integral part of this statement.

LAKE ERIE TRANSPORTATION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS

**For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004**

	<u>LSS</u>	<u>ETS</u>	<u>Bedford</u>	<u>2005</u>	<u>Totals</u> <u>2004</u>
Operating revenues:					
Passenger fares	\$ 80,474	\$ 33,335	\$ 4,328	\$ 118,137	\$ 120,406
Contracts		165,710		165,710	146,001
Other	<u>561</u>	<u></u>	<u></u>	<u>561</u>	<u>4,416</u>
Total operating revenues	<u>81,035</u>	<u>199,045</u>	<u>4,328</u>	<u>284,408</u>	<u>270,823</u>
Operating expenditures:					
Operations	1,481,262	443,533	90,267	2,015,062	1,956,495
Maintenance	399,364	146,763	35,710	581,837	585,950
Administrative	299,466	188,973	23,945	512,384	489,433
RTAP expenses	2,075			2,075	2,466
Section 5313 expense	<u>695</u>	<u></u>	<u></u>	<u>695</u>	<u>8,076</u>
Total operating expenses	<u>2,182,862</u>	<u>779,269</u>	<u>149,922</u>	<u>3,112,053</u>	<u>3,042,420</u>
Deficiency of revenues under expenditures	<u>(2,101,827)</u>	<u>(580,224)</u>	<u>(145,594)</u>	<u>(2,827,645)</u>	<u>(2,771,597)</u>
Nonoperating revenues – Local:					
City of Monroe taxes	398,886			398,886	295,698
Frenchtown Township taxes	422,160			422,160	353,265
Monroe Township	23,870			23,870	21,891
Bedford support			102,827	102,827	80,975
Commission on Aging		155,829		155,829	156,659
Interest income	34,762			34,762	10,053
Advertising	37,362			37,362	46,988
Other	<u>20,401</u>	<u></u>	<u></u>	<u>20,401</u>	<u>3,276</u>
Total nonoperating revenues – local	<u>937,441</u>	<u>155,829</u>	<u>102,827</u>	<u>1,196,097</u>	<u>968,805</u>
Grants:					
CMAQ	160,000			160,000	
Section 5313	695			695	8,076
Act 51	843,351	388,843		1,280,691	1,214,319
Section 5311	33,607	94,387	48,497	127,994	111,590
RTAP	2,075			2,075	2,466
Section 5307	<u>257,125</u>	<u></u>	<u></u>	<u>257,125</u>	<u>268,490</u>
Total grant revenues	<u>1,296,853</u>	<u>483,230</u>	<u>48,497</u>	<u>1,828,580</u>	<u>1,604,941</u>
Total nonoperating revenues	<u>2,234,294</u>	<u>639,059</u>	<u>151,324</u>	<u>3,024,677</u>	<u>2,573,746</u>
Net income (loss)	132,467	58,835	5,730	197,032	(197,851)
Net assets – beginning of year	<u>1,737,899</u>	<u>-</u>	<u>2,435</u>	<u>1,740,334</u>	<u>1,938,185</u>
Net assets – end of year	<u>\$ 1,870,366</u>	<u>\$ 58,835</u>	<u>\$ 8,165</u>	<u>\$ 1,937,366</u>	<u>\$ 1,740,334</u>

The notes to the financial statements are an integral part of this statement.

LAKE ERIE TRANSPORTATION COMMISSION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2005 and 2004

DECREASE IN CASH

	<u>2005</u>	<u>2004</u>
Cash flows from operations:		
Cash received from passenger fares and contracts	\$ 268,546	\$ 272,727
Cash paid to suppliers and employees	<u>(3,176,548)</u>	<u>(3,078,556)</u>
Net cash used in operating activities	<u>(2,908,002)</u>	<u>(2,805,829)</u>
Cash flows from noncapital financing activities:		
Contributions from local governments and agencies	1,161,335	970,511
Federal and State grants	1,839,970	1,424,071
Increase (decrease) in deferred revenue	353	(77,255)
Increase (decrease) in accrued sick pay	1,864	3,894
Increase (decrease) in accrued vacation	<u>6,430</u>	<u>4,801</u>
Net cash provided by financing activities	<u>3,009,952</u>	<u>2,326,022</u>
Cash flows from capital financing activities:		
Acquisition of fixed assets	<u>(141,966)</u>	<u>(177,323)</u>
Cash flows from investing activities:		
Interest received	<u>34,762</u>	<u>10,053</u>
Net decrease in cash	(5,254)	(647,077)
Cash at beginning of year	<u>1,450,263</u>	<u>2,097,340</u>
Cash at end of year	<u>\$ 1,445,009</u>	<u>\$ 1,450,263</u>

Cash includes amounts in demand deposits as well as investments with a maturity date within three months of the date acquired.

LAKE ERIE TRANSPORTATION COMMISSION

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2005 and 2004

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED
IN OPERATING ACTIVITIES**

	<u>2005</u>	<u>2004</u>
Net operating loss	\$ <u>(2,827,645)</u>	\$ <u>(2,771,597)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	34,716	22,056
(Increase) decrease in receivables	(15,862)	1,904
(Increase) decrease in inventory	873	(5,900)
(Increase) decrease in prepaids	24,381	(34,767)
(Decrease) increase in accounts payable	(64,584)	29,176
(Decrease) increase in other payables	<u>(59,881)</u>	<u>(46,701)</u>
Total adjustments	<u>(80,357)</u>	<u>(34,232)</u>
Net cash used in operating activities	\$ <u><u>(2,908,002)</u></u>	\$ <u><u>(2,805,829)</u></u>

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, Lake Erie Transportation Commission includes all funds and accounts that are controlled by the Commission.

Lake Erie Transportation Commission is a primary governmental unit with no outside component units.

Lake Erie Transportation Commission (LETC) is engaged under contract with the Suburban Mobility Authority For Regional Transportation (SMART) to set policy and provide funding for public transportation to Monroe County residents, with the Monroe Essential Transportation Service giving priority to elderly and physically and mentally impaired persons, and the Bedford and Lake Erie Local Service System providing general public transportation. Under the terms of the contract, transportation equipment is provided by SMART. The building and grounds presently occupied by the Commission are owned by SMART and made available rent free.

Management services are provided under contract with SMART by First Transit America, a Division of FirstGroup America, Inc.

The accounting policies of Lake Erie Transportation Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Effective July 1, 2003, Lake Erie Transportation Commission implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the statement include the following:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Commission's activities.
- ◆ A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Commission has elected to implement the general provisions of the statement.

Basic Financial Statements – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets) report information on the activities of the Commission. Lake Erie Transportation Commission consists solely of a business-type activity; no governmental-type activity exists.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements are provided for the business-type fund which is the same as the governmental-wide financial statements.

The major individual fund (General Operating Fund) is reported in the financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

LETC uses the accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available for use in current operations. Expenses are recorded when the liability is incurred.

LETC accounts for its operations in a manner similar to private business enterprises, where the intent of LETC is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis are financed through user charges, SMART subsidy, or local tax revenues. LETC is deemed to be an enterprise fund.

Monroe Essential Transportation Services (ETS), Lake Erie Local Service System (LSS), and Bedford Local Service System share common expenses. These expenses were allocated at year-end based on the number of actual bus hours, bus miles, and peak number of buses operated by each system during the year.

Cash and Investments – Cash and cash investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value.

Inventory – LETC maintains an inventory of repair and replacement parts at cost. Parts are charged to expense when they are used.

Fixed Assets and Depreciation – Fixed assets are stated at cost. Cost relating to maintenance and repairs are charged to expense. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 2: ADVANCE FROM SMART

SMART continues its advance to LETC in the sum of \$150,000, as the estimated amount of working capital funds required to maintain proper fiscal management. The advanced funds shall be deducted over the last two reimbursement payments under the current contract with SMART unless a successor contract has been entered into between the parties which provides for the continuance of the advance.

NOTE 3: ACCRUED SICK AND VACATION PAY

As provided in the union contract between LETC and the United Steelworkers of America, Local 2511, all non-probationary employees are eligible to accumulate sick leave to a maximum of forty (40) days. Leave is accumulated at three-quarters (3/4) days per month worked. At June 30, 2005, the liability for unused sick leave was \$27,323.

Also, LETC has accumulated vacation pay for those employees who have unused vacation time up to their anniversary date. The liability at June 30, 2005 was \$51,478.

NOTE 4: SETTLEMENTS RECEIVABLE AND PAYABLE

Estimated settlements due from SMART on Act 51 are as follows:

<u>Fiscal Year</u>	<u>Total Settlement</u>
1999 – 2000	\$ 4,309
2003 – 2004	<u>69,526</u>
	<u>\$ 73,835</u>

This receivable account also included May and June 2005 monthly grant payments from SMART totaling \$232,309.

Estimated settlements due to SMART on Act 51 and Section 5311 are as follows:

<u>Fiscal Year</u>	<u>Total Settlement</u>
2000 – 2001	\$ 659
2001 – 2002	15,456
2002 – 2003	2,275
2003 – 2004 (Section 5311)	<u>878</u>
	<u>\$ 19,268</u>

The settlements payable are included in the amount 'Due to Smart' shown in the financial statements.

This payable account also included the May and June 2005 monthly expenses of \$29,544 reimbursed to SMART.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 5: FUNDING FROM SMART

SMART funding of the three systems operated by LETC consists of Federal and State funds which are received through SMART. Funding for the fiscal year ending June 30, 2005 was as follows:

<u>Amounts Received</u>	<u>LSS</u>	<u>ETS</u>	<u>Bedford</u>	<u>Adjustment For Fiscal Year 2003 – 2004 Settlements</u>	<u>Total</u>
Federal Funds:					
CMAQ	\$ 160,000	\$	\$	\$	\$ 160,000
Section 5311	32,492	96,380		(878)	127,994
Section 5313	695				695
Section 5307	458,492			(201,367)	257,125
RTAP	2,075				2,075
State Funds:					
Act 51	<u>763,305</u>	<u>403,487</u>	<u>44,373</u>	<u>69,526</u>	<u>1,280,691</u>
Total	<u>\$ 1,417,059</u>	<u>\$ 499,867</u>	<u>\$ 44,373</u>	<u>\$ (132,719)</u>	<u>\$ 1,828,580</u>

Included in the above amounts are expenses incurred by SMART on behalf of LETC in the amount of \$178,144.

NOTE 6: DEPOSITS AND INVESTMENTS

Investment Policy

Credit Risk – State statutes authorize Lake Erie Transportation Commission to invest in obligations of the U.S. Treasury, agencies, and instrumentalities: Commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptance of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions that are insured with the applicable federal agency. Public funds of Lake Erie Transportation Commission may not be deposited in financial institutions located in states other than Michigan. The Commission has authorized one depository, Fifth Third Bank.

The Commission has no policy on limiting uninsured or uncollateralized deposits. Nor does it have a policy on limiting concentration of credit risk.

Interest Rate Risk – The Commission has no policy on interest rate risk.

Custodial Credit Risks – Deposits

All deposits are in the form of checking accounts with Fifth Third Bank. The carrying value of LETC's deposits was \$547,678 at June 30, 2005 and the bank balances were \$579,538. Of the bank balance, \$479,538 was uninsured and uncollateralized and \$100,000 was covered by Federal depository insurance.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risks – Investments

All investments are with Fifth Third Securities, Inc. Investments at June 30, 2005 consist of:

	<u>Market Value</u>
U.S. Government Money Market Fund, fixed, 2.79%	\$ 125,709
Federal Home Loan Mortgage, 3.5%, 5-15-17	373,418
Federal National Mortgage Association, 4.0%, 1-25-27	<u>398,204</u>
	<u><u>\$ 897,331</u></u>

The above investments are not exposed to credit risks.

Interest Rate Risks – Investments

The money market investment is not subject to interest rate risks because its shares are always valued at \$1.00. The government securities have interest rate risks as shown above by their maturities and interest rates.

NOTE 7: TAX REVENUE

During 2004, Frenchtown Township levied .361 mills for the LSS System based on a property taxable value of \$1,262,891,450 and the City of Monroe levied .3922 mills for the LSS System based on a property taxable value of \$908,521,740.

NOTE 8: CAPITAL ASSETS

All buildings, vehicles, and equipment used by Lake Erie Transportation Commission are owned by SMART or the State of Michigan.

The capital asset values shown on the financial statements represent LETC's share of funding of the transfer station (building) and certain vehicles.

NOTE 9: CONTINGENCIES

Lake Erie Transportation Commission is subrecipient of mass transit operating assistance funds from the State of Michigan and the Federal Government. Suburban Mobility Authority for Regional Transportation (SMART) is the primary recipient of these funds passing them through to Lake Erie Transportation.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 9: CONTINGENCIES (Continued)

The State of Michigan conducts examinations of prior years' eligible cost related to this funding and may raise questions concerning eligibility of certain costs for reimbursement. The ultimate outcome cannot presently be determined. Accordingly, no provision for any loss that may result from the resolution of this matter has been made in the accompanying financial statements.

NOTE 10: TRANSFERS BETWEEN SYSTEMS

Over the years, Lake Erie Local Service System has made transfers of funds to the other two systems, Monroe Essential Transportation Service System and Bedford Local Service System, to cover deficit balances. The Monroe Essential Transportation Service System has \$32,952 non-reimbursed transfers, while the Bedford System has had \$67,044 non-reimbursed transfers since 1981.

NOTE 11. PENSION PLANS

Lake Erie Transportation Commission has two pension plans.

One plan covers union employees. This plan is a multi-employer defined benefit plan administered by the Steelworkers Pension Trust. The plan is funded by employer contribution only. The contribution for fiscal year 2004-05 was \$25,953. No current actuarial information is available.

The second pension plan for all other full-time employees is a money purchase plan through the Michigan Employees Retirement System (MERS) and the plan administrator is the ICMA Retirement Corporation. The plan is funded by employer only based on 2% of participant's earnings.

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL

For the Year Ended June 30, 2005

With Comparative Totals for the Year Ended June 30, 2004

	<u>LSS</u>	<u>ETS</u>	<u>Bedford</u>	<u>Total</u>	2005 <u>Budget</u>	2004 <u>Total</u>
Operations:						
Drivers' wages	\$ 705,606	\$ 192,920	\$ 39,886	\$ 938,412	\$ 965,686	\$ 962,254
Supervisor salary	59,741	16,334	3,377	79,452	89,925	83,709
Dispatchers' wages	79,426	21,716	4,490	105,632	106,267	94,935
Fringe benefits	382,130	104,478	21,601	508,209	477,216	456,490
Fuel and lubricants	126,508	46,491	11,312	184,311	154,500	158,059
Tires and tubes	10,288	3,781	920	14,989	50,000	18,590
Other materials	6,954	1,901	393	9,248	5,000	8,907
Vehicle insurance	76,256	44,483	6,355	127,094	140,001	138,141
Travel and meetings	9,774	2,672	553	12,999	12,082	13,354
Depreciation	<u>24,579</u>	<u>8,757</u>	<u>1,380</u>	<u>34,716</u>		<u>22,056</u>
Total operations	<u>1,481,262</u>	<u>443,533</u>	<u>90,267</u>	<u>2,015,062</u>	<u>2,000,677</u>	<u>1,956,495</u>
Maintenance:						
Wages	229,069	84,181	20,483	333,733	350,102	346,360
Fringe benefits	92,060	33,831	8,232	134,123	155,550	124,256
Other services	23,342	8,578	2,087	34,007	32,001	17,845
Materials	54,243	19,934	4,850	79,027	111,600	95,713
Miscellaneous	<u>650</u>	<u>239</u>	<u>58</u>	<u>947</u>	<u>2,750</u>	<u>1,776</u>
Total maintenance	<u>399,364</u>	<u>146,763</u>	<u>35,710</u>	<u>581,837</u>	<u>652,003</u>	<u>585,950</u>
Administrative:						
Wages	37,906	22,112	3,159	63,177	70,038	68,875
Fringe benefits	18,465	10,771	1,539	30,775	28,519	22,980
Professional services	155,022	103,479	11,731	270,232	233,766	241,155
Supplies	4,976	2,903	415	8,294	15,000	9,466
Utilities	22,730	13,259	1,894	37,883	30,000	33,678
Telephone	12,822	7,479	1,068	21,369	24,999	20,635
Insurance	13,581	7,922	1,132	22,635	24,000	20,135
Travel and meetings	836	1,723	246	2,805	24,999	3,520
Advertising and promotion	25,729	15,009	2,144	42,882	45,000	50,783
Miscellaneous	<u>7,399</u>	<u>4,316</u>	<u>617</u>	<u>12,332</u>	<u>9,999</u>	<u>18,206</u>
Total administrative	<u>299,466</u>	<u>188,973</u>	<u>23,945</u>	<u>512,384</u>	<u>506,320</u>	<u>489,433</u>
RTAP expense	<u>2,075</u>	<u>-</u>	<u>-</u>	<u>2,075</u>	<u>-</u>	<u>2,466</u>
Section 5313 expense	<u>695</u>	<u>-</u>	<u>-</u>	<u>695</u>	<u>-</u>	<u>8,076</u>
Total operating expenses	<u>\$ 2,182,862</u>	<u>\$ 779,269</u>	<u>\$ 149,922</u>	<u>\$ 3,112,053</u>	<u>\$ 3,159,000</u>	<u>\$ 3,042,420</u>

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATION

For the Year Ended June 30, 2005
And Recap of Fiscal Year Ended September 30, 2004

	LAKE ERIE LOCAL SERVICE SYSTEM	
	7/01/04 9/30/04	10/01/04 6/30/05
Expenses:		
Operations	\$ 408,531	\$ 1,072,731
Maintenance	110,415	288,949
Administrative	76,845	222,621
RTAP expenses	519	1,556
Section 5313 expense	<u>695</u>	<u> </u>
Total expenses	597,005	1,585,857
Ineligible expenses:		
Less: Depreciation expense	(6,145)	(18,434)
Less: RTAP expenses reimbursed	(519)	(1,556)
Less: Section 5313 reimbursement	(695)	
Less: CMAQ	<u>(72,905)</u>	<u>(87,095)</u>
Net eligible expenses – Act 51	<u>\$ 516,741</u>	1,478,772
Less: Audit fee		<u>(8,850)</u>
Net eligible expenses – Section 5311		<u>\$ 1,469,922</u>
Net eligible expenses – Section 5311 – 100%		
Net eligible expenses – Section 5311 – 10%	<u>\$ 51,674</u>	<u>\$ 146,992</u>
Net eligible expenses – Section 5307 – 90%	<u>\$ 465,067</u>	<u>\$ 1,322,930</u>
Grant Reimbursement Received – Act 51, Section 5311, and Section 5307		
Act 51	\$ 172,155	\$ 591,150
Section 5311	5,391	27,101
Section 5307	<u>268,459</u>	<u>190,033</u>
Total grant reimbursement	<u>\$ 446,005</u>	<u>\$ 808,284</u>

MONROE ESSENTIAL TRANSPORTATION SERVICES		BEDFORD LOCAL SERVICE SYSTEM		<u>Total</u>
<u>7/01/04</u> <u>9/30/04</u>	<u>10/01/04</u> <u>6/30/05</u>	<u>7/01/04</u> <u>9/30/04</u>	<u>10/01/04</u> <u>6/30/05</u>	
\$ 142,848	\$ 300,685	\$ 21,432	\$ 68,835	\$ 2,015,062
50,655	96,108	8,966	26,744	581,837
38,141	150,832	5,512	18,433	512,384
				2,075
				695
231,644	547,625	35,910	114,012	3,112,053
(2,189)	(6,568)	(345)	(1,035)	(34,716)
				(2,075)
				(695)
				(160,000)
<u>\$ 229,455</u>	<u>\$ 541,057</u>	<u>\$ 35,565</u>	<u>\$ 112,977</u>	<u>\$ 2,914,567</u>
 <u>\$ 229,455</u>	 <u>\$ 541,057</u>			 <u>\$ 770,512</u>
				<u>\$ 198,666</u>
				<u>\$ 1,787,997</u>
 \$ 93,608	 \$ 309,879	 \$ 10,911	 \$ 33,462	 \$ 1,211,165
23,514	72,866			128,872
				458,492
<u>\$ 117,122</u>	<u>\$ 382,745</u>	<u>\$ 10,911</u>	<u>\$ 33,462</u>	<u>\$ 1,798,529</u>

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATION

For the Year Ended June 30, 2005

And Recap of Fiscal Year Ended September 30, 2004

**LAKE ERIE LOCAL
SERVICE SYSTEM**

Recap of Fiscal Year From October 1, 2003 to September 30, 2004

Net eligible expense for fiscal year – Act 51	<u>\$ 2,076,712</u>
Net eligible expense for fiscal year – Section 5311	<u>207,671</u>
Maximum reimbursement:	
Act 51 (42.791519% of eligible expenses)	888,657
Act 51 (35.565549% of eligible expenses)	
Section 5311 (10.95% of eligible expenses)	<u>22,739</u>
Total	<u>911,396</u>
Amount received:	
Act 51	808,611
Section 5311	<u>21,624</u>
Total	<u>830,235</u>
Due from (to) Smart	<u>\$ 81,161</u>

**MONROE ESSENTIAL
TRANSPORTATION
SERVICES**

\$ 840,781

840,781

359,782

92,065

451,847

374,426

94,058

468,484

\$ (16,637)

**BEDFORD LOCAL
SERVICE SYSTEM
SERVICE SYSTEM**

\$ 134,374

-

47,791

47,791

43,667

43,667

\$ 4,124

LAKE ERIE TRANSPORTATION COMMISSION
NOTES ON INELIGIBLE EXPENSES AND REVENUES
For the Year Ended June 30, 2005

APTA and MPTA Dues

No APTA and MPTA dues were paid in fiscal year 2004-2005.

Depreciation

Depreciation expense is a non-allowable expense because in this case it represents partial expensing of the local contribution on the buses and street car purchased.

Audit Fee

A transit agency was not required to have a single audit for the prior year. As such, the cost of the annual financial audit was not an eligible expense under Section 5311.

LAKE ERIE TRANSPORTATION COMMISSION

SCHEDULE OF MILEAGE DATA

For the Year Ended June 30, 2005

	<u>LSS</u>	<u>ETS</u>	<u>Bedford</u>	<u>Total Mileage</u>
<u>Demand Response:</u>				
First Quarter	134,297	61,720	10,825	206,842
Second Quarter	133,529	53,498	12,676	199,703
Third Quarter	153,005	45,283	16,089	214,377
Fourth Quarter	<u>151,247</u>	<u>49,733</u>	<u>11,564</u>	<u>212,544</u>
Total operation	<u>572,078</u>	<u>210,234</u>	<u>51,154</u>	<u>833,466</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate method for recording vehicle mileage.

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Federal Grantor/ Program Title	Federal CFDA Number	Pass Through Entity's Identifying Number	Program or Award Amount	Federal Expenditures
U.S. Department of Transportation				
USC Section 5311 Operating Assistance	20.509		Formula	\$ 127,994
USC Section 5307	20.507		Formula	257,125
USC Section 5313	20.515	MI-80-X011	\$ 8,480	695
USC Section 3037	20.516	CMAQ MI-90-X438	160,000	122,914
RTAP	20.215		3,500	<u>2,286</u>
Total Expenditures of Federal Awards				<u>\$ 511,014</u>

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
* Material weakness(es) identified?	_____	YES	<u>___X</u>	NO
* Reportable condition(s) identified that are not considered to be material weaknesses?	_____	YES	<u>___X</u>	NONE REPORTED
Noncompliance material to financial statements noted?	_____	YES	<u>___X</u>	NO

FEDERAL AWARDS

Internal control over major programs:				
* Material weakness(es) identified?	_____	YES	<u>___X</u>	NO
* Reportable condition(s) identified that are not considered to be material weaknesses?	_____	YES	<u>___X</u>	NONE REPORTED
Type of auditors' report issued on compliance for major program:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	YES	<u>___X</u>	NO

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

IDENTIFICATION OF MAJOR PROGRAM:

<u>CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Name of Federal Program</u>
20.516	CMAQ MI-90-X438	Job Access Reverse Commute
20.507	Section 5307 Assistance	Federal Transit - Formula Grant
20.509	Section 5311 Assistance	Formula Grants For Other Than Urbanized Areas

Dollar Threshold used to distinguish
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____ YES X NO

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE